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TOP SECRET

GENERAL

1. Austrian treaty talks reach critical stage--US Representative Reber in London reports that Austrian treaty negotiations have reached a critical point as a result of Yugoslavia's unwillingness to abandon its demands for frontier rectification and reparations. Reber points out that in backing the Yugoslav claims, the USSR has been using the conference to further Soviet ends in Yugoslavia and to attempt to prevent a further rapprochement between Tito and the West. Reber believes that: (a) as long as the question of Yugoslav claims remains unsolved no real progress can be made toward conclusion of a treaty; (b) the western powers "should not be led into the obvious trap" of agreeing to a discussion of other issues without further efforts to force a showdown on Yugoslavia's claims; and (c) avoiding such a showdown now would leave the West exposed to the danger of a later break over other issues which would be less clear to the public and to Austria in particular. Reber therefore recommends that the US should be prepared to accept in the near future any reasonable grounds for adjournment in the hope that after adjourning: (a) the Yugoslav-Cominform rift might be further clarified; and (b) direct Austrian-Yugoslav negotiations, uninfluenced by the USSR, might result in Yugoslav concessions.

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